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of the

HONORABLE THOMAS L. JUDGE
Governor of Montana

Montana State Library
930 Bannock Street
Helena, Montana 59601
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to the

45th Montana Legislature

State Capitol

Helena, Montana

January 5, 1977

1986 JUN 16 '80

Lieutenant Governor Schwinden, President McOmber, Speaker Driscoll, Chief Justice Hatfield and members of the Montana Supreme Court, members of the cabinet, distinguished members of the 45th Montana Legislature, fellow Montanans:

The Constitution of the State of Montana, which requires the Governor at the beginning of each legislative session "to give the Legislature information and recommend measures he considers necessary" states: "All political power is vested in and derived from the people."

We in public office must constantly remind ourselves that the power we have and the authority we exercise come from the people. Our most solemn obligation is to serve the best interests of the people of our state--all the people.

As Chief Executive, I recognize the pre-eminent position of the Legislature as the first branch of government. For it is through you, the members of the Legislature, that the people of Montana establish the broad framework of public policy for our state government; through you that the people set priorities for the expenditure of public monies; through you that the people supervise the implementation of the policies and programs established by legislative action.

I believe that we have real reason to share pride in our recent accomplishments, and to maintain confidence in our ability to meet the problems of today and the challenges of the future.

"Montana has lived the life of the nation," wisely wrote a native son, "on a reduced scale and at breakneck speed."

And so we have. Andrew Carnegie's struggle for wealth and power is emulated by William Clark. The political courage of Lincoln and Webster are preserved in our Joseph Dixon and the young Burton K. Wheeler. The heroism of Daniel Boone was displayed in those men and women -- our parents and grandparents -- who, in search of independence, founded this society we now cherish.

The bright promise of America was fulfilled in the popular imagination by the

Great West, where there seemed to be land enough for every one. The West was depicted as a bounteous garden needing only the gentle touch of humanity to bring it fully to bloom. The 19th century literature encouraging movement westward even seriously argued that "rain follows the plough".

Reality long ago exploded that myth. Relentless drought taught us the heart-breaking lesson that not even hard work can overcome the fickle cruelties of nature. As westerners we know that try as we might, we still must face limitation.

In recent years, America has learned what Montana long ago knew. The energy crisis, the recession, failure in Viet Nam, forced America to confront limitation. The myth of America's infinite power was reluctantly put aside.

In the first seven years of this decade, the people of Montana recognized that the problems facing them were potentially as serious as any confronted in their history. They did not turn from these problems. They did not ignore them. They acted--firmly, clearly, and with foresight--cognizant of the wealth as well as the limits of their natural resources.

Working their will through the legislative and executive branches of state government, the people initiated the most sweeping and decisive changes since Montana entered the Union 88 years ago.

In 1970, the people ordered executive reorganization to attain greater public control over state agencies, and to exact increased political accountability from their elected and appointed officials. In 1972, Montanans approved an historic new State Constitution which, among other things, mandated periodic review by the people of the forms of their local governments.

During the last four years the Montana Legislature has enacted the nation's finest package of environmental protection laws. For the first time in the state's history, our people are receiving their just share of the rewards of resource development.

Montanans have greatly increased their commitment to education at all levels, nearly doubling state non-property tax support for public schools, vocational and technical education programs.

The 44th Legislature acted with compassion in more than doubling state appropriations for the care of Montana's mentally ill and developmentally disabled. Former institutional residents are beginning to enjoy productive lives in group or foster homes located near their families and friends. The state now has adequate staff, decently paid and properly trained, to care for those requiring the services of Boulder or Warm Springs.

During the last four years, we brought sweeping tax relief to the people, while we maintained Montana's state government in its best fiscal condition in our history. Modernization of state investment policies, an aggressive new program for auditing out-of-state corporations, growth in our economy and an equitable coal severance tax contributed to a \$46 million general fund surplus. We achieved this at a time when unemployment across the nation was the worst since the Great Depression, when inflation ravaged the buying power of Americans everywhere, and when bankruptcy haunted other states and major cities.

The people of Montana have forged the tools to shape their future. They have entrusted these tools to our care. They have instructed us to use them well.

I come before you today, glad for the advances already achieved and solemn in the determination that they will be secured for this and for future generations.

I come before you today, ladies and gentlemen of the 45th Montana Legislature, to assert that the days of rapid change in Montana government are, for the present, ended. During this administration, government will be made better, not bigger; more efficient, not more expansive; more respectful of the individual freedoms of our people, not more meddlesome in their lives.

And the thrust of my executive recommendations will reflect these objectives.

This year marks the first time that every program contained in the executive budget has been scrutinized and based on long range goals and objectives. As a result, this budget is pared to a minimum to provide only those services which Montanans want, need and can afford.

Excluding the allocation of general fund monies for the property tax initiative and elimination of the permissive levy, the General Fund operational budget for the new biennium is only 12 per cent higher than for the current biennium.

Again, excluding those allocations, the General Fund operating budget is composed totally of funds currently available. Our proposed operational budget will have a \$12 million projected surplus at the end of the biennium. Recent experience has taught us conclusively that maintenance of a reasonable surplus is an effective management tool, and is a responsible hedge against inflation and unforeseen shifts in the state's economy. I will resist any attempt to reduce the surplus below \$12 million, by veto if necessary, and I will, in like manner, reject any tax increase enacted during this session of the Legislature. Your approval of the Executive Budget will reduce the total number of full-time equivalent state employees in state government by nearly 200.

We can, we must, and we will, establish a government no larger, and no smaller, than is necessary to do for our people what they as individuals cannot do for themselves.

While Montana ranks 40th among the 50 states in all state taxes collected per capita, we rank 6th in the amount of property taxes levied on our citizens. Although state government receives less than five per cent of its revenues from this source, the state does have the responsibility to insure that ability-to-pay is maintained as the prevailing principle of equitable taxation among all political jurisdictions within its boundaries.

The property tax conflicts with that principle. Many elderly people are forced into rented rooms or even nursing homes because their fixed incomes are

insufficient to pay skyrocketing local property tax bills.

The Executive Budget proposes direct property tax relief amounting to \$61.4 million for the coming biennium.

On November 2, 1976, the voters approved Initiative No. 72 in every county in Montana by a plurality of 120,921 votes or 70 per cent of the votes cast. The will of the people concerning property tax relief is resoundingly clear.

\$29.6 million is recommended to fund the Homestead Tax Relief Act which will reduce by \$100 the property tax bill for the average Montana homeowner. I urge this Legislature to give Montanans this long overdue tax relief.

Another \$31.8 million is provided to eliminate the statewide permissive levy for the public schools; over half of this amount would come from federal revenue sharing funds. During the next two years, there will be no statewide property taxes for support of public schools in Montana.

Montana local governments depend on the property tax far more heavily than their counterparts in other states. In 1973, there were only four states lacking any form of a revenue sharing program. Not surprisingly, one of those states was, and still is, Montana.

I urge your approval of my proposed Montana State-Local Revenue Sharing Program which would commit three per cent of the surtax each year, providing \$3.5 million to local governments.

To fulfill the spirit as well as the letter of the mandate of the 1972 Constitution regarding reappraisal, I am requesting an additional \$2.15 million to complete within one year the reappraisal of all property in the state. These new appraisals shall not be used for tax purposes until they are all completed one year from now. Equity for our citizens and increased management efficiency in local government will be served by your swift approval of this recommendation.

We can, we must, and we will achieve a fair and equitable tax structure in Montana. I do not consider repeal of the income tax surcharge or enactment of an experimental gross income tax to be consistent with equity and fairness in taxation.

Still festering from the exploitative practices of the past and requiring increased attention in the future, Montana's economy remains our chief long range problem and my number one priority.

The average unemployment rate for 1976 was 7.8 per cent in Montana. Over 24,000 men and women today seek employment and a decent living for themselves and their families.

The problems facing agriculture, our state's number one industry, are severe. Grain growers face prices \$2 per bushel below the bare cost of production. Our ranchers have seen little respite from the insupportably low cattle prices plaguing their industry since 1973. Predators continue to drive our sheepmen out of business. This agricultural depression, now spread to every segment, is depriving our economy of millions of dollars each week.

Despite high unemployment and the problems facing our agricultural industries, there were some bright spots in the labor market in 1976: 2400 new business firms were established in Montana during the year, with new trade and service firms accounting for more than half of the total. Multi-million dollar construction contracts were awarded late in the year, augering well for the 1977 work season. Through the promotion of Montana agricultural commodities and technical know-how in foreign countries, millions of dollars will flow into the Montana economy. Our state travel promotion program generated over \$300 million to the economy in 1976.

Through the Work Incentive Program, Montana placed more welfare recipients in jobs than any other state in our region, saving more than \$1.3 million per year in AFDC payments. We far surpassed our federally specified goal with a job placement total of 1,100 for the year, and we did it with the least cost per job placement in our area.

These are heartening indications. Nonetheless, we must act firmly and carefully to address our continuing economic difficulties.

In the first nine months of 1976, over \$32 million in state and federal unem-

ployment benefits were paid -- more than the total payments of the thirteen years between 1940 and 1952. Last year, Montana was one of 21 states to borrow from the federal government to meet the basic economic needs of our citizens out of work. Although, our \$1.4 million was the lowest amount borrowed by a state, we may be forced to borrow another \$4 million this year.

To return our unemployment program to solvency, I recommend the following: enactment of more stringent disqualification criteria for those who voluntarily leave a job or those who refuse to accept suitable employment; establishment of a new part-time work formula to encourage claimants to accept part-time work; and examination of existing insurance rates to assure fund solvency.

In August of last year, I appointed a Task Force on the Future Role of State Government in Economic Planning and Development to recommend means of increasing per capita income and of creating decent and secure jobs for all Montanans.

The Task Force, in its summary report, points out, "Maintenance of our economy is dependent upon the continued extraction of our resources and sale to markets outside Montana. Improving our economy is dependent upon our ability to penetrate additional domestic and international markets." The Montana International Trade Commission, the Montana Trade Showcase, the Wheat Research and Marketing Committee are responsible examples of state action to achieve that objective.

Acting on a final recommendation of this Task Force, I am proposing to this Legislature that an unpaid Council of Economic Advisors be created to provide the Governor, on an ongoing basis, with the best advice on economic policy available in Montana. The Council should include representatives from business, agriculture, the environmental sector, labor, the University System, and local government.

Furthermore, I am recommending to this body expansion of the economic development program in the Department of Community Affairs to serve as the lead state agency in monitoring and assisting economic growth in Montana.

Montana is indeed blessed with vast reaches of unspoiled land and large quantities of water, providing an enormous capacity for food production. We are rich in minerals, coal reserves and timber.

Our challenge is to enhance the productivity of our renewable resources through wise management and to develop carefully our non-renewable resources in a manner that will insure that our priceless environment will be protected.

Montanans--not the energy companies, not the federal government--have exclusive right to make decisions governing development of our resources. I will continue to oppose strenuously any efforts to pre-empt states' rights in resource management decisions.

I will veto any bill which would lower the coal severance tax or weaken the strip mine reclamation act, the utility siting act or the hard rock mining act.

Development of our resources in an intelligent, well-planned manner will provide present and future generations a quality of life never imagined possible in this or any other state.

We can, we must, and we will make this dream -- the dream embraced by every Montanan since our prairies first were crossed -- a reality.

The energy crisis has had a severe impact on this nation and the State of Montana. The future economy and environment of Montana depend on how we in Montana and this nation address this problem today.

As directed by HB 453 passed during the last session, I will submit within two weeks a state energy policy for your review and consideration.

The policy will contain, among other things, recommendations for greater energy conservation; the pending economic and energy crisis faced by Montana as a result of curtailment of Canadian natural gas and crude oil; the need for a strong national position on energy development proposed north of our border; the necessity to develop alternative energy sources and to provide tax incentives to

expand domestic production of oil and natural gas. We can, we must, and we will contribute our share to the solution of the nation's energy problems without destroying for all time the agricultural way of life which is the very foundation of our society in this state.

One of the most important responsibilities assigned to state government is that of maintaining what is referred to in the Montana Constitution as a "system of education which will develop the full educational potential of each person." The reason that our people have always placed such great importance upon education is evident. The ability of a society to advance in any field of human endeavor -- whether economics, science, agriculture, industry, government, art, or engineering-- is determined in the classrooms of that society.

Therefore, I urge your approval of the Executive Budget recommendation which will fully fund the school foundation program and increase its schedules by six per cent each year.

I believe that the Montana University System deserves special consideration from this Legislature. The Board of Regents and Office of the Commissioner of Higher Education created by the new Constitution are making progress toward establishing a unified university system.

Higher education in Montana, however, has historically been underfunded and this deficiency must be remedied. My Executive Budget proposes an increase of 24 per cent for the University System to provide badly needed equipment and for inflation impacted operating expenses. Community college support is increased to 65 per cent of the operational budget, and another half million dollars is provided to purchase books for the University Library.

This increase is not excessive; an appropriation below this level will severely impair the ability of the University System to carry out its critical responsibilities. I support the designation of the Board of Public Education as the sole state agency for vocational education in Montana.

We can, we must, and we will continue to improve our educational institutions so that the full potential of our children will be realized.

Two years ago, the disgusting and degrading conditions in our state institutions for the care of the mentally ill and the developmentally disabled were made known to the members of this body. You acted with concern and generosity in providing substantially increased funding for these programs, in creating the Mental Disabilities Board of Visitors to monitor the progress and efficiency in the institutions, and in supporting the state's first real community care programs.

I am pleased to report that in accordance with your instructions, we have reduced the populations of the Warm Springs State Hospital and the Boulder River School and Hospital, respectively, from 908 to 552 and from 400 to 304. The Developmental Disabilities Advisory Council is working to increase private sector capability to operate community care programs. I urge your approval of my budget recommendations in these areas which will increase, by the end of the biennium, state appropriations by 74 per cent over the level of four years ago.

We can, we must, and we will fulfill the spirit of House Joint Resolution 11 approved in 1973 which stated that every Montanan has the right to a fully normal and productive life.

Two years ago, we created the Montana Council of Criminal Justice Standards and Goals, now known as the Montana Justice Project, to recommend ways of guaranteeing more completely the security of our people in their homes. The Council now has completed its work and has made recommendations for every area of the criminal justice system.

I commend the Council and its Chairman, Attorney General Mike Greely, for the outstanding work they have done. Their proposed standards will go far toward strengthening our criminal justice system and they are deserving of your careful consideration.

Furthermore, we must do all in our power to secure for our judiciary the best qualified individuals available.

I urge you to approve the recommendations of the State Salary Commission, particularly as they pertain to District and Supreme Court Judges. Only one-quarter of one per cent of the General Fund currently is applied to the judicial branch of government. Clearly, that is inadequate. And, we must raise District Court fees which are paid by the five per cent of the populace utilizing the courts.

We can, we must and we will establish in Montana a criminal justice system which fairly and efficiently administers justice to keep safe and decent the communities in which we live.

The land and how we decide to use it today will indeed determine whether Montana will attain in the future the highest quality of life, or whether ours will go the way of so many other parts of America -- spoiled and misused.

Two years ago, the Montana Economic Land Development Act was enacted and signed into law. Since that time, it has become apparent that the bill cannot be administered, does not accomplish what it was designed to do, and violates the principles of equitable taxation and of local control. I strongly urge its repeal.

At the same time, state and local governments must together assume responsibility for planning the use of our land to protect our agricultural way of life, to improve the environment bequeathed to us, and to expand recreational opportunities available our citizens.

I propose establishment of a Commission for Areas of State Concern. That Commission, composed of five state-appointed and four locally-appointed members, would provide the means by which the state and local governments may jointly identify areas of mutual concern and share the responsibility for planning and management.

Acquisition by the Fish and Game Commission of the Mt. Haggin Ranch property for recreational purposes was one of the most significant conservationist actions

accomplished in the state's history. I support acquisition of additional recreational land and improvement of Montana's state parks and recreational areas, which are becoming overcrowded.

The state must strengthen the partnership we have been building in recent years between the state and local governments. The new local government codes represent the crowning achievement of nearly three years' work by the State Commission on Local Government, chaired by Representative Harold Gerke and acting at the direction of the 43rd Legislature. I urge your approval of the new codes.

We can, we must and we will provide the people of Montana with a system of state and local government, flexible to act on their commands, sturdy to meet the changing needs of a vibrant people.

No government in a free society can succeed in any of its endeavors unless it keeps the confidence of the people it serves.

Equality of opportunity is a principle underlying the very foundation of our society. Yet it remains unattained.

We cannot expect private employers to make a good-faith effort to find qualified women and minorities to fill their better jobs if the State fails in its responsibility to do so. I am ordering all state agencies to redouble their efforts in this regard.

At the same time, the people must forever remain firmly in control of their governments and know that they are.

This Administration will continue to bring government to the people in our public forums, through open meetings, the Citizen Advocate, and we will promulgate rules for greater citizen participation.

As we set to work in 1977, we know ourselves again to be the pioneers of a new era. But this year, we Montanans are not moving on.

Our horizon is no longer distant. It lies immediately before us -- in the faces of our children, in the streams that today run clear, in the land that gives

sustenance to an undernourished world. We stand today ready to act, fully mindful of the wealth of our natural resources, as well as their limits.

A century ago, a perceptive Crow Indian chief described Montana as the "right place". "Everything good," he said, "is to be found here."

For we can, we must and we will work together to fashion in this, our home, a society born of mutual trust, not competitive suspicion; bred in the strength of compassion, not the corruption of greed; brought to repose in the purity of the natural splendor which sustains and inspires us, where everything good is to be found.

I wish you well in your deliberations, and I pledge to you my support and cooperation.

Thank you.

